



Eric Rule, Director of Governmental Affairs
Michigan Retailers Association
Testimony before the House Employment Relations, Training & Safety Committee
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Thank you, Mr. Chairman, for the opportunity to testify on an issue of major economic importance to both the business community in general and the retail industry in particular.

I am Eric Rule, Director of Governmental Affairs for the Michigan Retailers Association, a statewide trade association based here in Lansing. We represent nearly 6,000 members and their more than 13,000 general merchandise stores—everyone from the largest multi-state chains to the smallest family-owned stores.

The retail industry is of critical importance to our state's economy. Retailers deliver more than \$135 billion worth of goods and services annually to Michigan residents and visitors. Just as important, the retail industry employs more than 850,000 Michiganians—*nearly one in every five jobs in our state*. The retail industry is also a relatively stable employer.

As one of Michigan's leading employers, therefore, retail is extremely concerned about what happens with the state's Unemployment Insurance Trust Fund—and the taxes levied to finance the system.

In the past, retailers, in effect, subsidized other sectors of the economy when it came to financing the unemployment insurance system. This was an unfair system, and legislative changes made in the 1980s put the system on a more experience-rated footing, meaning that employers with few or no layoffs were rewarded with lower overall UI taxes.

The Michigan Retailers Association, therefore, is extremely committed to preserving the experience-rated aspect of the UI system. It offers—and must continue to offer—what is unquestionably the fairest system for employers.

The practice known as SUTA-dumping threatens the fairness of our UI system. It is a bad practice, used by unethical businesses to cheat the system. These business are not just cheating the government, they are cheating other businesses. By robbing the trust fund of necessary financing, SUTA-dumping ends up hurting all other businesses that must make up the shortfall. The very existence of SUTA-dumping compromises the integrity of the experience-rated system and must be abolished completely.

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That being said, SUTA-dumping legislation must prevent all businesses from engaging in the practice. We are extremely grateful for the hard work that went into the bills in the Senate, work that made them much more effective and worthwhile. There is, however, still one change that needs to be made. Specifically, Professional Employer Organizations must be held to the same standard as all other employers in Michigan. It is imperative that a business' experience rating must follow that business throughout—even when it uses a Professional Employer Organization. That is the only way to ensure that our unemployment system is fairly and adequately funded. Anything less would be cheating the thousands of Michigan businesses that pay their fair share of the UI burden.

This issue is about protecting the interests of employers who are playing by the rules. And make no mistake, the price of inaction or incomplete action will be to reduce the number of private-sector jobs in our state.

I would like to thank the committee for providing this opportunity to hear comments from Michigan's retail industry on the SUTA-dumping problem.

I would be happy to answer any questions.